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E.O. 12958: DECL: 11/05/2017
TAGS: EPET PGOV JO
SUBJECT: NO CLEAR EVIDENCE OF THE GROWTH OF RESOURCE
NATIONALISM IN JORDAN

REF: A. STATE 150999
¶B. AMMAN 4378
¶C. AMMAN 3626
¶D. AMMAN 3341
¶E. 06 AMMAN 2073
¶F. 06 AMMAN 738

Classified By: Ambassador David Hale for reasons 1.4(b) and (d).

CONTAINS PROPRIETARY INFORMATION.

¶1. (SBU) Jordan, unlike its southern and eastern neighbors, is virtually devoid of natural resources. Reports of probable oil reserves have not been proven, and the GOJ is hopeful that eventual development and exploitation of shale deposits will help to alleviate its dependence on imported fuel. Shell has been given a concession to develop underground oil shale deposits in the northern region, and four memoranda of understanding have been signed with Canada, Estonia, Russia, and the Palestinian Authority to develop Jordan's surface shale deposits. Potash remains Jordan's most abundant natural resource, and in 2006, the GOJ sold a 37 percent stake in the Jordan Phosphate Mining Corporation (JPMC) - the world's sixth largest miner of phosphate and producer of phosphate-based products - to the Brunei Investment Agency (BIA) for US$110 million. The GOJ retains 26 percent interest in the company and the Social Security Corporation (SSC) owns 16 percent. Under the deal, the GOJ collects approximately US$16 million annually from JPMC in mining fees and taxes.

¶2. (SBU) The potash deal paved the way for continued privatization of other sectors, and on October 17, the GOJ finalized the privatization of the Central Electric Generating Company (CEGCO). The newly formed Enara company now owns 51 percent of CEGCO, and the GOJ transferred nine percent of its minority interest to the SSC Investment Unit. Plans to liberalize the Jordan Petroleum Refinery Corporation were further delayed by the July resignation of the former Finance Minister. Moreover, with elections scheduled for November 20 and the subsequent formation of a new cabinet, it is highly unlikely that the GOJ will meet its March 2008 deadline for restructuring the hydrocarbon industry. Likewise, plans for developing the Risha gas field by U.S. company Anadarko have been protracted as the company and the Ministry of Energy discuss proposal revisions. Nevertheless, the commitment to privatize key industries, including those in the energy sector, remains a cornerstone of Jordan's economic reform policy.

¶3. (C/NF) Jordan launched its ambitious privatization program in 1996 and despite a slow start, the pace is steadily improving. The GOJ believes privatization will result in more efficient and profitable companies, innovation, infrastructure development, and increased

revenues from taxes and other fees. NOTE: The privatization of Jordan Telecom is widely credited with improving service and lowering consumer prices. END NOTE. Privatization is also key to Jordan's economic stability; partial proceeds from the sale of Royal Jordanian, the flag air carrier, have already been ear-marked to pay for Jordan's successful bid to buy back a portion of its debt from Paris Club members. While some members of parliament and the public are vocally critical of some privatization deals, the King and his senior advisors view them as integral to continued economic growth. Given the limited natural resources available in Jordan, and the unsustainable expenses associated with maintaining poorly functioning public utilities, Jordan is unlikely to resort to resource nationalism when private sector management is generating profits.

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Hale